

**MINUTES
EAGAR TOWN COUNCIL
WORK SESSION
22 W. 2nd St., Eagar, AZ
March 7, 2017 – 6:00 P.M.**

The Work Session was called to order.

COUNCIL PRESENT: Bryce Hamblin, Mayor
Steve Erhart, Vice Mayor
James Nelson, Jr.
Debra Seeley
Allen Browning

COUNCIL ABSENT: John Phelps
Winslow McNeill

STAFF PRESENT: Bruce Ray, Interim Town Manager
Katie Brady, Finance Manager
Eva Wilson, Town Clerk
Mike Sweetser, Police Chief
Jeremiah Lloyd, Community Development Director
Frank Adams, Fire Chief
Roberta Reed, Town Magistrate

1. WORK SESSION TO DISCUSS THE FISCAL YEAR 2017-2018 TENTATIVE BUDGET

Interim Town Manager Bruce Ray presented the budget workshop along with Finance Manager Katie Brady. They started with the Revenue Forecast stating the Town's three revenue sources are General Fund, Highway User Revenue Fund (HURF), and Utility Revenue. General Fund consists of revenue from Urban Revenue Share, Vehicle License Tax, State Shared Revenue and Local Sales Tax. Historically the revenue trend has been flat and steady over the past five years among all funds.

Local Sales Tax only fluctuates from the flat trend during the holidays and summer months. By the month numbers show consistent Local Sales Tax at 7-9%.

The State Shared Revenue (SSR) monthly trend is also flat and consistent over the last four years at approximately \$100,000 - \$120,000 annually.

Last year the State released various amounts to cities and towns from HURF; Eagar's share was \$39,000, however, the Town is not expecting this generosity from the State again this year. With the addition of the \$39,000 this puts the Town overspent in HURF and the Town will have to focus on spending this amount down plus more. The yearly and monthly trend in HURF is flat and consistent with the exception of the \$39,000.

Utility Fund shows the summer months of May through July as the big revenue months for the Town revenues making up 25% of this fund during those months; otherwise the revenue falls between 7-10%.

Ms. Brady reported that SSR accounts for 52% of the Town's income in the General Fund. The League of Arizona Cities and Towns has to lobby for cities and towns to keep their share of SSR every year. The second largest piece of the pie for Eagar is Local Sales Tax at 34% from local businesses. All other revenues are small amounts from Rents and Loyalties, Fees and Permits, Charge for Services (copies, fingerprints), Fines and Forfeitures from the Magistrate Court, Intergovernmental Revenue, Recreation and Donations, and Miscellaneous Revenue.

Discussion turned to long-term budget planning and the Town's remaining debt. The Greater Arizona Development Authority (GADA) early payment penalty will expire July 2018. The Water Infrastructure Finance Authority (WIFA) 2008 and 2012 are being paid down with the Town paying an additional \$75,000 to WIFA 2008 in the last budget with plans to do so again in fiscal year 2017-18.

- The Kennedy Well WIFA 2012 loan is owed \$183,000.
- The Water Line Improvement Project on Central and Burk Street, WIFA 2008 loan, is owed \$248,000.
- GADA is owed \$2.2 million.
- The Clean Water (wastewater) WIFA 2008 had been paid off earlier this year with the remaining balance of \$50,000.
- The Town has paid off \$3 million in debt over the past seven years and has \$2.6.

Ms. Brady stated the Town is planning to pay off the WIFA 2008 before the WIFA 2012 as the WIFA 2008 has a higher interest rate at 3.5% and approximately WIFA 2012 at 2% respectively. In regards to the GADA loan, in 2018 it will not be a matter of being able to pay down the interest, the Town will instead be able to restructure the lending depending on the interest rates at that time.

Mayor Hamblin asked how much interest is being made on the Town's savings right now. Ms. Brady stated the interest rate is less than 1%.

The Council is receptive to completely pay off the two WIFA loans immediately to save the paying of interest on those loans and to return to saving those dollars after payoff.

Mr. Ray pointed out that the Local Government Investment Pool (LGIP) has \$1.8 million invested at this time and with the WIFA payoffs would still have \$1.4 million remaining which still allows for three months of expenses.

Regarding the LGIP, HURF makes up a large portion of the balance. \$523,000 of this balance is HURF and the Town's five-year model is written to spend down this amount within five years. Ms. Brady stated that \$80,721 listed in Utility LGIP is a requirement by

WIFA to have a bond account savings equal to the highest debt service payment in any given year of the loan, so that \$80,000 can also be used to pay off the WIFA loans.

Budget by funds shows General Fund Expenditures at \$2.5 million, HURF Expenditures at \$1.1 million, and Utility Expenditures at \$1.5 million. Ms. Brady stated there is a \$175,000 capital improvement project in this budget year over last year's budget which is the first water tank rehabilitation project. Mr. Ray added that will be the only Utility project scheduled next year.

At the next scheduled Council Planning Session a broader discussion is planned regarding the rehabilitation and replacement of water tanks and the possibility of using United States Department of Agriculture (USDA) grants. The southern water tank was recommended for condemnation before it causes a disaster.

The General Fund's budget by function breakdown shows 55% is spent on public safety and 35% is spent on general administration while 4% and less per fund is spent on debt service, capital projects, parks and recreation, and community development.

The majority of spending in the Capital Improvement Plan (CIP) in HURF at 61% and the Town needs to continue to plan that spending as the Town owed HURF over a million dollars.

The overall five-year budget plan is balanced with the exception of overspending in HURF. The shortfall of the total budget is \$69,000 in fiscal years 2017-18. In 2018-19 the Council mandated User Fee will expire, and Mr. Ray stated when that fee was established the then Council promised the citizens the fee would go away in 18 years, the year 2019. At that time the Town will see a \$200,000 shortfall so the recommendation is to push out CIP and have the Town go into maintenance mode for a short while until the Town can save (by early pay off of debt) for CIPs – pay as we go.

Councilor Steve Erhart asked about the Town's water loss study, and Mr. Ray stated that all water going out is being metered including the cemetery usage. There is also the possibility to applying for USDA grants to perform a study on water loss and that will be discussed in more detail at the Planning Session.

The Pay Grade / Range system has been revised to better match the based-on-performance pay plan; the step plan now goes out 20 years. An employee in their first five years may be eligible for a 3% performance increase, an employee in their 6-15 years may be eligible for a 1.5% performance increase, and employees in their 16-20 years may be eligible for 1%.

Councilor Erhart asked what impact performance increases will make on the budget. Mr. Ray stated Staff will have a firmer number on that for the Planning Session, but there are nine employees that may be eligible for the 3% performance increase and those nine are from the lowest pay scales; there are also four employees that are topped out of their scale and will not be eligible for any type of raise unless the Council approves a town-wide cost of living

Eagar Council Minutes Work Session
March 7, 2017

adjustment. Ms. Brady stated there is \$75,000 in the General Fund being held and the impact will not even come close to that amount even within three years.

Looking ahead for the budget season, adoption of tentative budget is scheduled to be May 2, 2017 with the final adoption schedule for June 6, 2017.

Ms. Brady stated the CIP for 2018-2022 is included in the Council's packet information and there has been some shifting of projects due to overspending in HURF to prevent major impacts on cash flow. Mr. Ray stated the utility projects are included in that report as well as including the Federal Emergency Management Agency (FEMA) low-water, Water Canyon project from last year, map revisions budgeted at \$20,000 in the CIP and 2017-18 budget.

Council Work Session adjourned at 6:30 p.m.

Attest: _____

Mayor: _____

Vice-Mayor: _____

Council: _____

